



**Johnson & Block**  
AND COMPANY, INC.

---

Certified Public Accountants

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND  
STORMWATER UTILITIES**

Enterprise Funds of the  
City of Whitewater, Wisconsin

**FINANCIAL STATEMENTS**

December 31, 2011 and 2010

*Quality service through our commitment to clients and staff.*

[www.johnsonblock.com](http://www.johnsonblock.com)

**Whitewater Municipal Water, Stormwater and Wastewater Utilities**  
Enterprise Funds of the City of Whitewater, Wisconsin

Table of Contents  
December 31, 2011 and 2010

---

Independent Auditor’s Report.....	1-2
<b>Water Utility</b>	
Statements of Net Assets .....	3-4
Statements of Revenues, Expenses and Changes in Net Assets.....	5
Statements of Cash Flows .....	6-7
<b>Wastewater Utility</b>	
Statements of Net Assets .....	8-9
Statements of Revenues, Expenses and Changes in Net Assets.....	10
Statements of Cash Flows .....	11-12
<b>Stormwater Utility</b>	
Statements of Net Assets .....	13-14
Statements of Revenues, Expenses and Changes in Net Assets.....	15
Statements of Cash Flows .....	16-17
Notes to Financial Statements.....	18-40
Supplemental Information	
<b>Water Utility</b>	
Utility Plant.....	41
Rate of Return – Regulatory Basis.....	42
<b>Wastewater Utility</b>	
Utility Plant.....	43



**Johnson & Block**  
AND COMPANY, INC.

**Certified Public Accountants**

49 Kessel Court, Suite 210 ▲ Madison, Wisconsin 53711 ▲ TEL 608-274-2002 ▲ FAX 608-274-4320

## INDEPENDENT AUDITOR'S REPORT

July 9, 2012

To the City Council  
Whitewater Municipal Water, Wastewater and Stormwater Utilities  
Whitewater, Wisconsin

We have audited the accompanying financial statements of Whitewater Municipal Water, Wastewater, and Stormwater Utilities, enterprise funds of the City of Whitewater, Wisconsin as of December 31, 2011 and 2010 and for the years then ended as listed in the table of contents. These financial statements are the responsibility of utility management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements present only the Whitewater Municipal Water, Wastewater, and Stormwater Utilities enterprise funds and are not intended to present fairly the financial position of the City of Whitewater, Wisconsin, and the changes in its financial position and its cash flows in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Whitewater Municipal Water, Wastewater, and Stormwater Utilities as of December 31, 2011 and 2010, and the changes in its financial position and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Whitewater Municipal Water, Wastewater, and Stormwater Utilities has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to supplement, although not to be part of, the financial statements. We note the significant financial events of the Whitewater Municipal Water, Wastewater, and Stormwater Utilities are included in the Management's Discussion and Analysis of the City of Whitewater financial statements.



The supplemental information identified in the accompanying table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the City. This section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

*Johnson Block & Company, Inc.*

Johnson Block & Company, Inc.  
Certified Public Accountants  
Madison, Wisconsin

**WHITEWATER MUNICIPAL WATER UTILITY**  
**Whitewater, WI**

**Statements of Net Assets**  
**December 31, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 37,920	\$ 263,241
Receivables		
Accounts	176,507	307,769
Interest	4,480	4,480
Due from Other Funds	88,049	93,414
Inventories	11,591	10,407
Total Current Assets	318,547	679,311
Restricted:		
Restricted Cash	873,648	293,841
Total Restricted Assets	873,648	293,841
Capital Assets:		
Land and Improvements	16,840,266	16,652,707
Less Accumulated Depreciation	(4,897,879)	(4,798,323)
Net Capital Assets	11,942,387	11,854,384
Noncurrent Assets:		
Unamortized Debt Discount	42,474	25,536
Special Assessments	2,376	2,852
Total Noncurrent Assets	44,850	28,388
Total Assets	\$ 13,179,432	\$ 12,855,924

See accompanying notes to the financial statements

**WHITEWATER MUNICIPAL WATER UTILITY**  
**Whitewater, WI**

**Statements of Net Assets**  
**December 31, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 6,957	\$ 494,105
Accrued Liabilities	8,230	7,950
Accrued Interest Payable	12,679	7,486
Due to Other Funds	269,819	3,491
Compensated Absences	24,219	24,936
Current Portion of Long-Term Debt:	350,710	290,710
Total Current Liabilities	672,614	828,678
Non-Current Liabilities:		
Long-Term Debt		
Notes and Bonds Payable	1,884,586	1,295,296
Total Long-Term Debt	1,884,586	1,295,296
Other Liabilities		
Compensated Absences	56,210	53,116
Total Other Liabilities	56,210	53,116
Total Non-Current Liabilities	1,940,796	1,348,412
Total Liabilities	2,613,410	2,177,090
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	9,954,217	10,315,414
Restricted Assets	245,249	142,849
Unrestricted	366,556	220,571
Total Net Assets	10,566,022	10,678,834
Total Liabilities and Net Assets	\$ 13,179,432	\$ 12,855,924

See accompanying notes to the financial statements.

**WHITEWATER MUNICIPAL WATER UTILITY**  
**Whitewater, WI**

**Statements of Revenues, Expenses and Changes in Fund Net Assets**  
**For the Years Ended December 31, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>OPERATING REVENUES</b>		
Charges for Services	\$ 1,429,490	\$ 1,413,226
Total Operating Revenues	1,429,490	1,413,226
<b>OPERATING EXPENSES</b>		
Operation and Maintenance	1,052,300	907,979
Depreciation	363,677	352,565
Total Operating Expenses	1,415,977	1,260,544
Operating Income (Loss)	13,513	152,682
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest and Investment Revenue	7,075	14,336
Miscellaneous Non-Operating Revenue	53,920	4,183
Interest Expense	(47,463)	(77,628)
Amortization Expense	(5,987)	(36,002)
Total Non-Operating Revenue (Expenses)	7,545	(95,111)
Income (Loss) Before Contributions and Transfers	21,058	57,571
Capital Contributions	126,567	2,648
Capital Contributions transferred in from City	-	317,471
Transfers Out (Tax Equivalent)	(260,437)	(225,118)
Change in Net Assets	(112,812)	152,572
Total Net Assets - Beginning	10,678,834	10,526,262
Total Net Assets - Ending	\$ 10,566,022	\$ 10,678,834

See accompanying notes to the financial statements.

**WHITEWATER MUNICIPAL WATER UTILITY**  
**Whitewater, WI**

**Statements of Cash Flows**  
**For the Years Ended December 31, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers	\$ 1,560,752	\$ 1,434,541
Payments to suppliers	(769,877)	(509,631)
Payments to employees	(449,786)	(451,270)
Taxes paid	(260,437)	(225,118)
Net cash provided (used) by operating activities	80,652	248,522
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Proceeds of special assessments	476	475
Acquisition and construction of plant assets	(340,737)	(127,881)
Proceeds of debt	940,000	1,643,343
Principal payments on long-term debt	(290,710)	(2,146,707)
Interest paid	(42,270)	(99,634)
Net cash provided (used) by capital and related financing activities	266,759	(730,404)
<u>Cash Flows From Investing Activities:</u>		
Interest on investments	7,075	12,931
Purchase of non-cash equivalents	(30,000)	(100,000)
Sale of non-cash equivalents	100,000	328,349
Net cash provided from investing activities	77,075	241,280
Net increase (decrease) in cash and equivalents	424,486	(240,602)
Cash and equivalents - beginning of year	457,082	697,684
Cash and equivalents - end of year	\$ 881,568	\$ 457,082
<u>Noncash Capital and Related Financing Activities:</u>		
Plant additions financed through accounts payable	\$ -	\$ 482,449
Developer financed additions to utility plant	\$ 126,567	\$ 320,119

See accompanying notes to the basic financial statements

**WHITEWATER MUNICIPAL WATER UTILITY**  
**Whitewater, WI**

**Statements of Cash Flows**  
**For the Years Ended December 31, 2011 and 2010**

<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	<b>2011</b>	<b>2010</b>
	<b>2011</b>	<b>2010</b>
Operating income	\$ 13,513	\$ 152,682
Joint meter	15,624	9,825
Cash Provided by Operating Activities:		
Amortization	(22,925)	(25,536)
Depreciation	363,677	352,565
Transfer out (tax equivalent)	(260,437)	(225,118)
Changes in Assets and Liabilities:		
Customer accounts receivable	131,262	21,315
Due from/to other funds	271,693	(47,229)
Material & supplies	(1,184)	763
Other	53,920	4,183
Accounts payable	(487,148)	(2,203)
Accrued liabilities	2,657	7,275
Net cash provided (used) by operating activities	\$ 80,652	\$ 248,522
<b>Reconciliation of cash and cash equivalents to statements of net assets accounts</b>		
Cash and cash equivalents	\$ 37,920	\$ 263,241
Restricted Cash	873,648	293,841
Total cash and investments	911,568	557,082
Less: Noncash equivalents	(30,000)	(100,000)
Cash and Cash Equivalents	\$ 881,568	\$ 457,082

See accompanying notes to the basic financial statements

## **WASTEWATER UTILITY**

**WHITEWATER MUNICIPAL WASTEWATER UTILITY**  
**Whitewater, WI**

**Statements of Net Assets**  
**December 31, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 312,511	\$ 129,981
Receivables		
Accounts	249,302	518,500
Interest	1,559	1,559
Due from Other Funds	241,224	18,045
Total Current Assets	804,596	668,085
Restricted:		
Restricted Cash and Cash Equivalents	2,099,623	1,572,943
Total Restricted Assets	2,099,623	1,572,943
Capital Assets:		
Land and Improvements	38,393,487	37,191,083
Less Accumulated Depreciation	(20,673,020)	(19,796,012)
Net Capital Assets	17,720,467	17,395,071
Noncurrent Assets		
Unamortized Debt Discount	17,442	20,931
Total Noncurrent Assets	17,442	20,931
Total Assets	\$ 20,642,128	\$ 19,657,030

See accompanying notes to the financial statements.

**WHITEWATER MUNICIPAL WASTEWATER UTILITY**  
**Whitewater, WI**

**Statements of Net Assets**  
**December 31, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 8,537	\$ 432,274
Accrued Liabilities	17,872	13,663
Accrued Interest Payable	19,435	11,832
Due to Other Funds	90,106	77,855
Compensated Absences	37,121	35,844
Current Portion of Long-Term Debt:	432,566	351,245
Total Current Liabilities	605,637	922,713
Non-Current Liabilities:		
Long-Term Debt		
Capital Lease Obligation	23,081	27,082
Compensated Absences	52,039	52,793
Notes Payable	120,414	149,704
Bonds and Loans Payable	3,692,363	2,291,590
Total Long-Term Debt	3,887,897	2,521,169
Total Liabilities	4,493,534	3,443,882
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	13,615,566	14,719,381
Restricted Assets	1,957,188	1,438,112
Unrestricted	575,840	55,655
Total Net Assets	16,148,594	16,213,148
Total Liabilities and Net Assets	\$ 20,642,128	\$ 19,657,030

See accompanying notes to the financial statements.

**WHITEWATER MUNICIPAL WASTEWATER UTILITY**  
**Whitewater, WI**

**Statements of Revenues, Expenses and Changes in Fund Net Assets**  
**For the Years Ended December 31, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>OPERATING REVENUES</b>		
Charges for Services	\$ 2,175,391	\$ 1,922,048
Total Operating Revenues	2,175,391	1,922,048
 <b>OPERATING EXPENSES</b>		
Operation and Maintenance	1,363,527	1,230,020
Depreciation	898,479	878,440
Total Operating Expenses	2,262,006	2,108,460
Operating Income (Loss)	(86,615)	(186,412)
 <b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest and Investment Revenue	14,463	18,446
Miscellaneous Non-Operating Revenue	9,595	8,576
Interest Expense	(104,346)	(86,291)
Amortization Expense	(9,489)	(28,582)
Total Non-Operating Revenue (Expenses)	(89,777)	(87,851)
Income (Loss) Before Contributions and Transfers	(176,392)	(274,263)
 Capital Contributions	41,496	18,240
Capital Grants	70,342	2,367,008
Capital Contributions transferred in from City	-	174,424
Change in Net Assets	(64,554)	2,285,409
Total Net Assets - Beginning	16,213,148	13,927,739
Total Net Assets - Ending	\$ 16,148,594	\$ 16,213,148

See accompanying notes to the financial statements.

**WHITEWATER MUNICIPAL WASTEWATER UTILITY**  
**Whitewater, WI**

**Statements of Cash Flows**  
**For the Years Ended December 31, 2011 and 2010**

	2011	2010
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers	\$ 2,444,589	\$ 1,877,640
Payments to suppliers	(1,187,364)	(504,964)
Payments to employees	(818,126)	(748,643)
Net cash provided (used) by operating activities	439,099	624,033
<u>Cash Flows from Noncapital Financing Activities:</u>		
Received on long-term advances	-	155,000
Net cash provided by noncapital financing activities	-	155,000
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Acquisition and construction of plant assets	(1,208,251)	(3,673,063)
Proceeds of debt	1,833,909	2,170,766
Principal payments on long-term debt	(385,107)	(1,884,701)
Interest paid	(96,743)	(95,953)
Capital grants	111,840	2,485,743
Net cash provided (used) by capital and related financing activities	255,648	(997,208)
<u>Cash Flows From Investing Activities:</u>		
Interest on investments	14,463	31,435
Purchase of non-cash equivalents	(290,250)	(600,953)
Sale of non-cash equivalents	600,953	865,007
Net cash provided (used) by investing activities	325,166	295,489
Net increase (decrease) in cash and equivalents	1,019,913	77,314
Cash and equivalents - beginning of year	1,101,971	1,024,657
Cash and equivalents - end of year	\$ 2,121,884	\$ 1,101,971
<u>Noncash capital and related Financing Activities:</u>		
Developer and City financed additions to utility plant	\$ -	\$ 417,312

See accompanying notes to the financial statements

**WHITEWATER MUNICIPAL WASTEWATER UTILITY**  
**Whitewater, WI**

**Statements of Cash Flows**  
**For the Years Ended December 31, 2011 and 2010**

<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	2011	2010
Operating income (loss)	\$ (86,615)	\$ (186,412)
Joint meter	(15,624)	(9,825)
Cash Provided by Operating Activities:		
Amortization	(6,000)	(20,931)
Depreciation	898,479	878,440
Changes in Assets and Liabilities:		
Customer accounts receivable	269,198	(44,408)
Due from/to other funds	(210,928)	11,818
Other assets	9,595	8,575
Accounts payable	(423,729)	(20,261)
Accrued liabilities	4,723	7,037
Net cash provided (used) by operating activities	\$ 439,099	\$ 624,033
<b>Reconciliation of cash and cash equivalents to statements of net assets accounts</b>		
Cash and cash equivalents	\$ 312,511	\$ 129,981
Restricted Cash	2,099,623	1,572,943
Total cash and investments	2,412,134	1,702,924
Less: Noncash equivalents	(290,250)	(600,953)
Cash and Cash Equivalents	\$ 2,121,884	\$ 1,101,971

See accompanying notes to the financial statements

## **STORMWATER UTILITY**

**WHITEWATER MUNICIPAL STORMWATER UTILITY**  
**Whitewater, WI**

**Statements of Net Assets**  
**December 31, 2011 and 2010**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 185,762	\$ 22,980
Receivables		
Accounts	33,510	70,336
Due from other funds	-	2,733
Total Current Assets	<u>219,272</u>	<u>96,049</u>
Capital Assets:		
Utility Plant	3,274,910	3,143,069
Less Accumulated Depreciation	<u>(167,008)</u>	<u>(125,112)</u>
Net Capital Assets	<u>3,107,902</u>	<u>3,017,957</u>
Total Assets	<u>\$ 3,327,174</u>	<u>\$ 3,114,006</u>

See accompanying notes to the  
financial statements

**WHITEWATER MUNICIPAL STORMWATER UTILITY**  
**Whitewater, WI**

**Statements of Net Assets**  
**December 31, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable	\$ 1,205	\$ 5,071
Due to Other Funds	809	21,677
Compensated Absences	8,569	9,071
Total Current Liabilities	10,583	35,819
Non-Current Liabilities:		
Compensated Absences	18,454	19,739
Notes Payable	227,000	-
Total Other Liabilities	245,454	19,739
Total Liabilities	256,037	55,558
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Related Debt	2,880,902	3,017,957
Unrestricted	190,235	40,491
Total Net Assets	3,071,137	3,058,448
Total Liabilities and Net Assets	\$ 3,327,174	\$ 3,114,006

See accompanying notes to the financial statements.

**WHITEWATER MUNICIPAL STORMWATER UTILITY**  
**Whitewater, WI**

**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**For the Years Ended December 31, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>OPERATING REVENUES</b>		
Charges for Services	\$ 335,071	\$ 289,226
Total Operating Revenues	335,071	289,226
 <b>OPERATING EXPENSES</b>		
Operation and Maintenance	263,652	277,569
Depreciation	43,321	36,503
Total Operating Expenses	306,973	314,072
Operating Income (Loss)	28,098	(24,846)
 <b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest and Investment Revenue	96	137
Grants and Contributions	-	10,000
Miscellaneous Revenues	-	4,208
Total Non-Operating Revenue (Expenses)	96	14,345
Income (Loss) Before Contributions and Transfers	28,194	(10,501)
 Capital Contributions transferred in from City	3,495	889,117
Transfers Out	(19,000)	(19,000)
Change in Net Assets	12,689	859,616
Total Net Assets - Beginning	3,058,448	2,198,832
Total Net Assets - Ending	\$ 3,071,137	\$ 3,058,448

See accompanying notes to the financial statements.

**WHITEWATER MUNICIPAL STORMWATER UTILITY**  
**Whitewater, WI**

**Statements of Cash Flows**  
**For the Years Ended December 31, 2011 and 2010**

	2011	2010
<u>Cash Flows From Operating Activities:</u>		
Receipts from customers	\$ 371,901	\$ 292,192
Payments to suppliers	(125,894)	(99,618)
Payments to employees	(180,551)	(199,692)
Net cash provided (used) by operating activities	65,456	(7,118)
<u>Cash Flows From Capital and Related Financing Activities:</u>		
Acquisition and construction of plant assets	(129,771)	-
Net cash provided for (used by) for capital and related financing activities	97,229	-
<u>Cash Flows From Investing Activities:</u>		
Interest on investments	97	137
Net cash provided from investing activities	97	137
Net increase (decrease) in cash and equivalents	162,782	(6,981)
Cash and equivalents - beginning of year	22,980	29,961
Cash and equivalents - end of year	\$ 185,762	\$ 22,980
<u>Noncash capital and related Financing Activities:</u>		
City financed additions to utility plant	\$ 3,495	\$ 889,117

See accompanying notes to the financial statements.

**WHITEWATER MUNICIPAL STORMWATER UTILITY**  
**Whitewater, WI**

**Statements of Cash Flows**  
**For the Years Ended December 31, 2011 and 2010**

<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</b>	2011	2010
Operating income (loss)	\$ 28,098	\$ (24,846)
Adjustments to Reconcile Operating Income (Loss) to Net Assets		
Cash Provided by Operating Activities:		
Depreciation	43,321	36,503
Transfer out	(19,000)	(19,000)
Changes in Assets and Liabilities:		
Customer accounts receivable	36,826	2,966
Due from/to other funds	(18,135)	(15,923)
Accounts payable	(3,867)	(2,513)
Accrued liabilities	(1,787)	1,487
Net cash provided for (used by) by operating activities	\$ 65,456	\$ (21,326)
 <b>Reconciliation of cash and cash equivalents to statements of net assets accounts</b>		
Cash and cash equivalents	\$ 185,762	\$ 22,980
Total cash and investments	185,762	22,980
 Cash and Cash Equivalents	\$ 185,762	\$ 22,980

See accompanying notes to the financial statements.

# WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER UTILITIES

## Notes to Financial Statements December 31, 2011 and 2010

---

### 1. Summary of Significant Accounting Policies

The financial statements of Whitewater Municipal Water, Stormwater, and Wastewater Utilities (utilities) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to enterprise funds of governmental units. The financial statements present only the Whitewater Municipal Water, Wastewater, and Stormwater Utilities enterprise funds and are not intended to present fairly the financial position of the City of Whitewater, Wisconsin. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The significant accounting principles and policies utilized by the utilities are described below.

#### A. Reporting Entity

The utilities are separate enterprise funds of the City of Whitewater (municipality). The utilities are managed by a city council. The utilities provide water, wastewater treatment and stormwater service to properties within the municipality.

The water utility operates under service rules and rates established by the Public Service Commission of Wisconsin (PSCW). The wastewater and stormwater utility operates under rules and rates established by the city council.

#### B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The utilities are presented as enterprise funds of the municipality. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred and net income is necessary for management accountability.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The utilities follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

# WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER UTILITIES

## Notes to Financial Statements December 31, 2011 and 2010

---

### C. Assets, Liabilities and Net Assets

#### 1) Deposits and Investments

For purposes of the statement of cash flows, cash and cash equivalents have original maturities of three months or less from the date of acquisition.

Investments of the utilities' funds are restricted by state statutes. Investments are limited to:

1. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, village, town or school district of the state. Also, bonds issued by a local exposition district, local professional baseball park district, local professional football stadium district, local cultural arts district or by the University of Wisconsin Hospitals and Clinics Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

The utilities have adopted an investment policy. The policy follows the state statutes for allowable investments.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income.

#### 2) Receivables/Payables

Transactions between the utilities and other funds of the municipality that are representative of lending/borrowing arrangements outstanding at year end are referred to as advances to/from other funds. All other outstanding balances between the utilities and other funds of the municipality are reported as due to/from other funds.

The utilities have the right under Wisconsin statutes to place delinquent utility bills on the tax roll for collection. As such, no allowance for uncollectible customer accounts is considered necessary.

#### 3) Materials and Supplies

Materials and supplies are generally used for construction, operation and maintenance work, not for resale. They are valued at the lower of cost or market utilizing the average cost method and charged to construction or expense when used.

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2011 and 2010**

---

**C. Assets, Liabilities and Net Assets (Continued)**

**4) Restricted Assets**

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified.

**5) Special Assessments Receivable**

The account represents the balances of special assessments levied against property owners for infrastructure improvements. The balances are receivable over various time periods with interest accrued annually.

**6) Capital Assets**

Capital assets are generally defined by the utilities as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Capital assets of the utilities are recorded at cost or the fair market value at the time of contribution to the utilities. Major outlays for utility plant are capitalized as projects are constructed. Interest incurred during the construction phase is reflected in the capitalized value of the capital assets constructed, net of interest earned on the invested proceeds over the same period. Capital assets in service are depreciated using the straight-line method over the following useful lives:

	Years
Water Plant	
Source of supply	31-56
Pumping	23-31
Water treatment	30-31
Transmission and distribution	18-77
General	4-34
Wastewater Plant	
Collecting system	50-100
Treatment and disposal	15-40
General	4-40

**Stormwater Plant**

Stormwater infrastructure is depreciated at varying rates. Average useful life is approximately 74 years.

**7) Compensated Absences**

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements. Vested vacation and sick leave pay is accrued when earned in the financial statements. The liability is liquidated from general operating revenues of the utilities.

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2011 and 2010**

---

**C. Assets, Liabilities and Net Assets (Continued)**

**8) Long-Term Obligations**

Long-term debt and other obligations are reported as utility liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Gains or losses on prior refundings are amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter.

**9) Revenues and Expenses**

The utilities distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the utility's principal ongoing operations. The principal operating revenues of the utilities are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**10) Charges for Services**

Billings are rendered and recorded quarterly based on metered usage. The utilities do not accrue revenues beyond billing dates.

Current water rates were approved by the PSCW on November 23, 2011.

Current wastewater rates and stormwater rates were approved by the city council.

**11) Capital Contributions**

Cash and capital assets are contributed in the utilities from customers, the municipality or external parties. The values of property contributed to the utilities are reported as revenue on the statements of revenues, expenses and changes in net assets.

**12) Connection Fees**

The wastewater utility charges new customers a connection fee to connect to the system. Fees collected are recorded as capital contributions on the statements of revenues, expenses and changes in net assets.

**13) Transfers**

Transfers include the payment in lieu of taxes to the municipality.

# WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER UTILITIES

## Notes to Financial Statements December 31, 2011 and 2010

---

### 2. Deposits and Investments

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and \$250,000 for non interest bearing accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund (SDGF) in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recover of material principal losses may not be significant to individual municipalities.

The utilities may also maintain separate cash and investment accounts at the same financial institutions utilized by the municipality. Federal depository insurance and the State of Wisconsin Guarantee Fund Insurance apply to all municipal accounts, and accordingly, the amount of insured funds is not determinable for the utilities alone. Investment income on commingled investments of the entire municipality is allocated based on average investment balances.

Investment insurance coverage of the FDIC, local government investment pool and SDGF applies to the municipality's total investments. Therefore, coverage for the utilities may be reduced.

The Wisconsin LGIP is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2011 and 2010, the fair value of the LGIP's assets were substantially equal to the utilities' share.

The CLASS investment (Cooperative Liquid Assets Securities System) is an investment pool established by the intergovernmental agreement dated March 1, 1996. CLASS is available for investment by Wisconsin governmental entities except school districts. Standard and Poor's assigns an investment pool rating of AAAM for CLASS. CLASS operates consistent with the provision of an external pool, and invests only in investments legally permissible under Wisconsin law, with a weighted average maturity not exceeding 120 days. The value of pool shares is the same as the fair value position in the pool.

### **Custodial Credit Risk**

#### **Deposits:**

Custodial credit risk is the risk that in the event of a financial institution failure, the utilities' deposits may not be returned to the utilities. The utilities maintain certain deposits at the same institutions as the municipality. The custodial credit risk pertaining specifically to the utilities' resources at those institutions cannot be determined individually for those accounts.

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2011 and 2010**

---

**2. Deposits and Investments (Continued)**

The following is a summary of the utilities' total deposit balances at these institutions.

	2011	2010
	Carrying Value	Carrying Value
Deposits in local financial institutions	\$ 3,182,648	\$ 1,579,541
Deposits exposed to custodial credit risk	\$ 3,182,648	\$ 1,579,541

The bank balance of the deposits varies with carrying value. The bank balance was not listed since many of the cash accounts are co-mingled with other City funds. The custodial credit risk applies to the City as a whole and not specifically with utilities. Accordingly, the City's financial statements should be read in conjunction with the utilities.

Investments:

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the utilities will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The utilities do not have any investments exposed to custodial credit risk.

The utilities' investment policy does not address this risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The utilities held investments in the LGIP which was not rated. The CLASS investments were rate AAAM by Standard and Poors.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rate will adversely affect the fair market value of an investment. The LGIP investments have an average maturity of no more than 97 days. The CLASS-Wisconsin investment has 6.4% of its investments in US government agencies, 5.0% in U.S. Treasury securities, 35.5% in repurchase agreements, and 53.1% in commercial paper. The utilities' investment policy does not address this risk.

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2011 and 2010**

---

**2. Deposits and Investments (Continued)**

As of December 31, 2011 the utilities' investments were as follows:

Investment Type	Fair Value	Weighted Average Maturity (days)
External investment pool - LGIP	\$ 216,084	97
External investment pool - CLASS	110,732	26
Total	\$ 326,816	

**Reconciliation to the Financial Statements**

A reconciliation of the cash and investments to the financial statements:

	2011	2010
Carrying value of deposits	\$ 3,182,648	\$ 1,579,541
Carrying value of investments	326,816	703,445
	\$ 3,509,464	\$ 2,282,986
Cash and cash equivalents water	\$ 37,920	\$ 263,241
Cash and cash equivalents wastewater	312,511	129,981
Restricted cash water	873,648	293,841
Restricted cash wastewater	2,099,623	1,572,943
Cash and cash equivalents stormwater	185,762	22,980
	\$ 3,509,464	\$ 2,282,986

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2011 and 2010**

**3. Interfund Receivables/Payables and Transfers**

The following is a schedule of interfund balances for the years ending December 31, 2011 and 2010:

Due To	Due From	2011		2010	
		Amount	Principal Purpose	Amount	Principal Purpose
Water	Wastewater	\$ 37,396	General operations	\$ 20,635	General operations
Water	Wastewater	\$ 50,653	Joint metering	\$ 72,779	Joint metering
Municipality	Water	\$ 28,594	General operations	\$ 3,491	General operations
Wastewater	Municipality	\$ -	General operations	\$ 18,045	General operations
Wastewater	Water	\$ 241,224	General operations	\$ -	General operations
Municipality	Wastewater	\$ 2,711	General operations	\$ 72,200	General operations
Stormwater	Municipality	\$ -	General operations	\$ 2,733	General operations
Municipality	Stormwater	\$ 809	Operations equipment	\$ 21,677	General operations

The following is a schedule of transfer balances for the years ending December 31, 2011 and 2010:

Transfer to	Transfer from	2011		2010	
		Amount	Principal Purpose	Amount	Principal Purpose
Municipality	Water	\$ 260,437	Tax equivalent	\$ 225,118	Tax equivalent
Municipality	Stormwater	\$ 19,000	Operations equipment	\$ 19,000	General operations
Water	Municipality	\$ -	Capital contributions	\$ 317,471	Capital contributions
Wastewater	Municipality	\$ -	Capital contributions	\$ 174,424	Capital contributions
Stormwater	Municipality	\$ 3,495	Capital contributions	\$ 889,117	Capital contributions

**4. Restricted Assets**

**Revenue Bond Accounts**

Certain proceeds of the utilities' revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants. The following revenue bond accounts are reported as restricted assets:

- Redemption - Used to segregate resources accumulated for debt service payments over the next twelve months.
- Reserve - Used to report resources set aside to make up potential future deficiencies in the redemption account.
- Depreciation - Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2011 and 2010**

**4. Restricted Assets (Continued)**

**Replacement Account**

As a condition of receiving state and federal funds for wastewater plant construction, the utilities have established an account for replacement of certain mechanical equipment.

**Restricted Net Assets**

The following calculation supports the amount of water restricted net assets:

	<u>2011</u>	<u>2010</u>
Restricted Assets		
Redemption account	\$ 257,928	\$ 78,420
Reserve account	204,652	121,500
Construction account	<u>411,068</u>	<u>93,921</u>
Total Restricted Assets	<u>873,648</u>	<u>293,841</u>
 Less: Restricted Assets Not Funded by Revenues		
Reserve from borrowing	(204,652)	(121,500)
Construction reserve from borrowing	<u>(411,068)</u>	<u>-</u>
	<u>(615,720)</u>	<u>(121,500)</u>
 Current Liabilities Payable From Restricted Assets	<u>(12,679)</u>	<u>(29,492)</u>
 Total Restricted Net Assets as Calculated	<u>\$ 245,249</u>	<u>\$ 142,849</u>

The following calculation supports the amount of wastewater restricted net assets:

	<u>2011</u>	<u>2010</u>
Restricted Assets		
Redemption account	\$ 34,096	\$ 214,970
Reserve account	123,000	123,000
Depreciation account	25,000	25,000
Connection account	284,077	284,737
Replacement account	<u>1,633,450</u>	<u>925,237</u>
Total Restricted Assets	<u>2,099,623</u>	<u>1,572,944</u>
 Less: Restricted Assets Not Funded by Revenues		
Reserve from borrowing	<u>(123,000)</u>	<u>(123,000)</u>
 Current Liabilities Payable From Restricted Assets	<u>(19,435)</u>	<u>(11,832)</u>
 Total Restricted Net Assets as Calculated	<u>\$ 1,957,188</u>	<u>\$ 1,438,112</u>

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2011 and 2010**

**5. Changes in Capital Assets**

**Water Utility**

A summary of changes in water capital assets for 2011 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Water</u>				
Capital assets not being depreciated				
Land and land rights	\$ 6,727	\$ -	\$ -	\$ 6,727
Construction in progress	482,449	-	482,449	-
Total Capital Assets Not Being Depreciated	<u>489,176</u>	<u>-</u>	<u>482,449</u>	<u>6,727</u>
Capital assets being depreciated				
Source of supply	633,563		-	633,563
Pumping	1,185,927	-	-	1,185,927
Water treatment	1,458,742	-	-	1,458,742
Transmission and distribution	12,467,646	949,753	279,745	13,137,654
Administrative and general assets	417,653	-	-	417,653
Total Capital Assets Being Depreciated	<u>16,163,531</u>	<u>949,753</u>	<u>279,745</u>	<u>16,833,539</u>
Total Capital Assets	<u>16,652,707</u>	<u>949,753</u>	<u>762,194</u>	<u>16,840,266</u>
Less: Accumulated depreciation	<u>4,798,323</u>	<u>379,301</u>	<u>279,745</u>	<u>4,897,879</u>
Net Capital Assets	<u>\$ 11,854,384</u>	<u>\$ 570,452</u>	<u>\$ 482,449</u>	<u>\$ 11,942,387</u>

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2011 and 2010**

**5. Changes in Capital Assets (Continued)**

A summary of changes in water capital assets for 2010 follows:

<u>Water</u>	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets not being depreciated				
Land and land rights	\$ 6,727	\$ -	\$ -	\$ 6,727
Construction in Progress	-	482,449	-	482,449
Total Capital Assets Not Being Depreciated	<u>6,727</u>	<u>482,449</u>	<u>-</u>	<u>489,176</u>
Capital assets being depreciated				
Source of supply	633,563		-	633,563
Pumping	1,185,927	-	-	1,185,927
Water treatment	1,458,742	-	-	1,458,742
Transmission and distribution	12,035,980	436,267	4,601	12,467,646
Administrative and general assets	405,919	11,734	-	417,653
Total Capital Assets Being Depreciated	<u>15,720,131</u>	<u>448,001</u>	<u>4,601</u>	<u>16,163,531</u>
Total Capital Assets	<u>15,726,858</u>	<u>930,450</u>	<u>4,601</u>	<u>16,652,707</u>
Less: Accumulated depreciation	<u>4,440,533</u>	<u>362,391</u>	<u>4,601</u>	<u>4,798,323</u>
Net Capital Assets	<u>\$ 11,286,325</u>	<u>\$ 568,059</u>	<u>\$ -</u>	<u>\$ 11,854,384</u>

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2011 and 2010**

---

**5. Changes in Capital Assets (Continued)**

**Wastewater Utility**

A summary of changes in wastewater capital assets for 2011 follows:

<u>Wastewater</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Construction in progress	\$ 4,410,179	\$ 952,617	\$ -	\$ 5,362,796
Land and land rights	168,179	-	-	168,179
Total Capital Assets Not Being Depreciated	<u>4,578,358</u>	<u>952,617</u>	<u>-</u>	<u>5,530,975</u>
Capital Assets Being Depreciated				
Collection system	11,934,561	80,913	5,848	12,009,626
Treatment and disposal	19,888,146	7,312	-	19,895,458
General	790,018	167,410	-	957,428
Total Capital Assets Being Depreciated	<u>32,612,725</u>	<u>255,635</u>	<u>5,848</u>	<u>32,862,512</u>
Total Capital Assets	37,191,083	1,208,252	5,848	38,393,487
Less: Accumulated Depreciation	<u>19,796,012</u>	<u>882,856</u>	<u>5,848</u>	<u>20,673,020</u>
Net Capital Assets	<u>\$ 17,395,071</u>	<u>\$ 325,396</u>	<u>\$ -</u>	<u>\$ 17,720,467</u>

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2011 and 2010**

**5. Changes in Capital Asset (Continued)**

A summary of changes in wastewater capital assets for 2010 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Wastewater</u>				
Capital Assets Not Being Depreciated				
Construction in progress	\$ 409,065	\$ 4,001,114	-	\$ 4,410,179
Land and land rights	168,179	-	-	168,179
Total Capital Assets Not Being Depreciated	<u>577,244</u>	<u>4,001,114</u>	<u>-</u>	<u>4,578,358</u>
Capital Assets Being Depreciated				
Collection system	11,701,926	235,437	2,802	11,934,561
Treatment and disposal	19,862,044	26,102	-	19,888,146
General	787,871	2,147	-	790,018
Total Capital Assets Being Depreciated	<u>32,351,841</u>	<u>263,686</u>	<u>2,802</u>	<u>32,612,725</u>
Total Capital Assets	32,929,085	4,264,800	2,802	37,191,083
Less: Accumulated Depreciation	<u>18,930,199</u>	<u>868,615</u>	<u>2,802</u>	<u>19,796,012</u>
Net Capital Assets	<u><u>\$ 13,998,886</u></u>	<u><u>\$ 3,396,185</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 17,395,071</u></u>

**Stormwater Utility**

A summary of changes in stormwater capital assets for 2011 follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Stormwater</u>				
Capital Assets Being Depreciated				
Infrastructure	\$ 3,143,069	\$ 133,267	\$ 1,426	\$ 3,274,910
Less: Accumulated depreciation	<u>125,112</u>	<u>43,322</u>	<u>1,426</u>	<u>167,008</u>
Net Capital Assets	<u><u>\$ 3,017,957</u></u>	<u><u>\$ 89,945</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,107,902</u></u>

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2011 and 2010**

**5. Changes in Capital Asset (Continued)**

A summary of changes in stormwater capital assets for 2010 follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Stormwater</u>				
Capital Assets Being Depreciated				
Infrastructure	\$ 2,264,713	\$ 889,117	\$ 10,761	\$ 3,143,069
Less: Accumulated depreciation	99,371	36,502	10,761	125,112
Net Capital Assets	<u>\$ 2,165,342</u>	<u>\$ 852,615</u>	<u>\$ -</u>	<u>\$ 3,017,957</u>

**6. Long-Term Obligations**

**Long-term Debt – Water**

The following are water debt issues outstanding:

	Date of Issuance	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/11
<u>Water Utility</u>					
2010 Mortgage Revenue Bonds	9/7/2010	10/1/2015	2.0%	\$ 1,215,000	\$ 985,000
2011 Mortgage Revenue Bonds	6/7/2011	10/1/2026	1.6-4.0%	940,000	940,000
2010 GO Promissory Note	2/9/2010	12/1/2016	1.2-2.7%	428,343	310,296
			Total Water Utility		<u>\$ 2,235,296</u>

Water debt service requirements to maturity are as follows:

Year	Water Totals		
	Principal	Interest	Total
2012	\$ 350,710	\$ 55,036	\$ 405,746
2013	350,710	48,586	399,296
2014	360,710	41,893	402,603
2015	374,083	34,818	408,901
2016	119,083	26,860	145,943
2017-2021	305,000	101,530	406,530
2022-2026	375,000	44,325	419,325
	<u>\$ 2,235,296</u>	<u>\$ 353,048</u>	<u>\$ 2,588,344</u>

Substantially all utility plant is subject to a mortgage lien until the bonds are defeased.

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2011 and 2010**

**6. Long-Term Obligations (Continued)**

**Long-term Debt – Wastewater**

The following wastewater debt issues are outstanding:

	<u>Date of Issuance</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/11</u>
<u>Wastewater Utility</u>					
1996 Clean Water Fund Loan	7/24/1996	5/1/2016	3.08%	\$ 1,563,900	\$ 503,970
2009 Clean Water Fund Loan	12/9/2009	5/1/2029	2.91%	784,109	2,436,714
2011 Clean Water Fund Loan	7/27/2011	5/1/2031	2.40%	115,954	115,954
2010 Revenue Bonds	2/9/2010	5/1/2016	2.0-3.25%	1,230,000	1,035,000
2010 GO Promissory Note	2/9/2010	12/1/2016	1.2-2.7%	206,657	149,704
Capital Lease	12/1/2005	1/1/2017	3.90%	39,721	27,082
			Total Wastewater Utility		<u><u>\$ 4,268,424</u></u>

Wastewater debt service requirements (excluding the capital lease) to maturity are as follows:

<u>Year</u>	<b>Wastewater Totals</b>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 428,565	\$ 113,572	\$ 542,137
2013	439,647	103,419	543,066
2014	455,911	91,910	547,821
2015	463,988	78,973	542,961
2016	480,631	64,764	545,395
2017-2021	668,844	237,458	906,302
2022-2026	771,224	133,596	904,820
2027-2031	532,532	24,123	556,655
	<u>\$ 4,241,342</u>	<u>\$ 847,815</u>	<u>\$ 5,089,157</u>

The capital lease is payable semi-annually with interest at 3.9%. The schedule to retire the capital lease is listed below.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	4,001	1,015	5,016
2013	4,520	854	5,374
2014	5,085	673	5,758
2015	5,703	469	6,172
2016	6,374	241	6,615
2017	1,399	27	1,426
Total	<u>\$ 27,082</u>	<u>\$ 3,279</u>	<u>\$ 30,361</u>

Substantially all utility plant is subject to a mortgage lien until the bonds are defeased. All utility revenues are pledged as security of the revenue bonds until the bonds are defeased.

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2011 and 2010**

**6. Long-Term Obligations (Continued)**

**Long-term Debt – Stormwater**

The following wastewater debt issues are outstanding:

	<u>Date of Issuance</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/11</u>
<u>Stormwater Utility</u>					
2011 GO Promissory Note	9/8/2011	9/8/2013	0.75-5.0%	\$ 227,000	\$ 227,000
			Total Stormwater Utility		<u>\$ 227,000</u>

Stormwater debt service requirements to maturity are as follows:

<u>Year</u>	<u>Wastewater Totals</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	\$ 1,634	\$ 1,634
2013	227,000	1,634	228,634
	<u>\$ 227,000</u>	<u>\$ 3,268</u>	<u>\$ 230,268</u>

Substantially all utility plant is subject to a mortgage lien until the bonds are defeased.

**Long-Term Obligations Summary – Water**

Long term debt activity for the year ended December 31, 2011 for the water utility is as follows:

	<u>Balance 1/01/2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2011</u>	<u>Due Within One Year</u>
Revenue Bonds and GO Notes	\$ 1,586,006	\$ 940,000	\$ 290,710	\$ 2,235,296	\$ 350,710
Vested Compensated Absences	53,116	3,094	-	56,210	-
Total Other Liabilities	<u>\$ 1,639,122</u>	<u>\$ 943,094</u>	<u>\$ 290,710</u>	<u>\$ 2,291,506</u>	<u>\$ 350,710</u>

Long-term debt activity for the year ended December 31, 2010 for the water utility is as follows:

	<u>Balance 1/01/2010</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2010</u>	<u>Due Within One Year</u>
Revenue Bonds and GO Notes	\$ 2,089,370	\$ 1,643,343	\$ 2,146,707	\$ 1,586,006	\$ 290,710
Refundings - Gains/(Losses)	(18,638)	-	(18,638)	-	-
Vested Compensated Absences	46,371	6,745	-	53,116	-
Total Other Liabilities	<u>\$ 2,117,103</u>	<u>\$ 1,650,088</u>	<u>\$ 2,128,069</u>	<u>\$ 1,639,122</u>	<u>\$ 290,710</u>

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2011 and 2010**

**6. Long-Term Obligations (Continued)**

**Long-Term Obligations Summary – Wastewater**

Long-term debt activity for the year ended December 31, 2011 for the wastewater utility is as follows:

	Balance 1/01/2011	Additions	Reductions	Balance 12/31/2011	Due Within One Year
Revenue Bonds and GO Notes	\$ 2,789,015	\$ 1,833,909	\$ 381,582	\$ 4,241,342	\$ 428,565
Capital Lease	30,606	-	3,524	27,082	4,001
Vested Compensated Absences	52,793	-	754	52,039	-
Total Other Liabilities	<u>\$ 2,872,414</u>	<u>\$ 1,833,909</u>	<u>\$ 385,860</u>	<u>\$ 4,320,463</u>	<u>\$ 432,566</u>

Long-term debt activity for the year ended December 31, 2010 for the wastewater utility is as follows:

	Balance 1/01/2010	Additions	Reductions	Balance 12/31/2010	Due Within One Year
Revenue Bonds and GO Notes	\$ 2,499,860	\$ 2,170,766	\$ 1,881,611	\$ 2,789,015	\$ 347,721
Capital Lease	33,696	-	3,090	30,606	3,524
Vested Compensated Absences	48,366	4,427	-	52,793	-
Total Other Liabilities	<u>\$ 2,581,922</u>	<u>\$ 2,175,193</u>	<u>\$ 1,884,701</u>	<u>\$ 2,872,414</u>	<u>\$ 351,245</u>

**Long-Term Obligations Summary – Stormwater**

Long-term debt activity for the year ended December 31, 2011 for the stormwater utility is as follows:

	Balance 1/01/2011	Additions	Reductions	Balance 12/31/2011	Due Within One Year
GO Note	\$ -	\$ 227,000	\$ -	\$ 227,000	\$ -
Total Other Liabilities	<u>\$ -</u>	<u>\$ 227,000</u>	<u>\$ -</u>	<u>\$ 227,000</u>	<u>\$ -</u>

**Bond Covenant Disclosures**

The following information is provided in compliance with the resolution creating the 2000 revenue bonds:

**Insurance**

The utilities are exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets, errors and omissions, workers compensation, and health care of its employees. These risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2011 and 2010**

---

**6. Long-Term Obligations (Continued)**

**Bond Covenant Disclosures (Continued)  
Insurance (Continued)**

The utilities are covered under the following insurance policies as of December 31, 2011:

Type	Coverage	
R&R Insurance Services, Inc.		
General Liability	\$ 3,000,000	BI & PD
Automobile	3,000,000	BI & PD
Workers Compensation	2,000,000	
Law Enforcement	3,000,000	
Public Officials	3,000,000	
Motor Vehicle Comprehensive –		
Replacement Cost	5,193,091	
Motor Vehicle Collision	5,193,091	
Uninsured Motorist	100,000/ 300,000	
Prior Acts	3,000,000	
Prior Errors & Omission	3,000,000	
Local Government Insurance Fund		
Building/Personal Property/Inland Marine	59,829,732	
Contractors Equipment	2,199,222	
Monies and Securities	10,000	
Employee Tools	42,321	

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2011 and 2010**

**6. Long-Term Obligations (Continued)**

**Debt Coverage – Water**

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.2 times the highest annual debt service of the bonds. The coverage requirement was met as follows:

	2011	2010
Operating revenues	\$ 1,429,490	\$ 1,413,226
Investment income	7,075	14,336
Less: Operation and maintenance expenses	(1,052,300)	(907,979)
 Net Defined Earnings	 \$ 384,265	 \$ 519,583
 Minimum Required Earnings per Resolution:		
Highest annual debt services	\$ 341,550	\$ 260,100
Coverage factor	1.20	1.20
 Minimum Required Earnings	 \$ 409,860	 \$ 312,120

The water utility increased rates late in 2011.

**Debt Coverage – Wastewater**

Under terms of the resolutions providing for the issue of revenue bonds, revenues less operating expenses excluding depreciation (defined net earnings) must exceed 1.2 times the highest annual debt service of the bonds. The coverage requirement was met as follows:

	2011	2010
Operating revenues	\$ 2,175,391	\$ 1,922,048
Investment income	14,463	18,446
Connection fees	41,496	18,240
Less: Operation and maintenance expenses	(1,363,527)	(1,230,020)
 Net Defined Earnings	 \$ 867,823	 \$ 728,714
 Minimum Required Earnings per Resolution:		
Highest annual debt services	516,339	388,627
Coverage factor	1.20	1.20
 Minimum Required Earnings	 \$ 619,607	 \$ 466,352

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2011 and 2010**

**6. Long-Term Obligations (Continued)**

**Number of Customers – Water**

The utility has the following number of customers and billed volumes for 2011 and 2010:

	Customers		Sales (000 gals)	
	2011	2010	2011	2010
Residential	2,988	3,116	142,329	124,534
Commercial	383	382	79,303	82,538
Industrial	36	40	207,039	240,004
Public Authority	77	101	86,538	78,427
Totals	<u>3,484</u>	<u>3,639</u>	<u>515,209</u>	<u>525,503</u>

**Number of Customers – Wastewater**

The utility has the following number of customers and billed volumes for 2011 and 2010:

	Customers		Sales (000 gals)	
	2011	2010	2011	2010
Residential	2,988	3,116	134,129	118,429
Commercial	383	382	77,103	80,283
Industrial	36	40	12,901	18,648
Public Authority	77	101	80,438	72,826
Totals	<u>3,484</u>	<u>3,639</u>	<u>304,571</u>	<u>290,186</u>

**7. Net Assets**

Governmental accounting standards require the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2011 and 2010**

**7. Net Assets (Continued)**

Restricted – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws, or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – The component of net asset consist of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

When both restricted and unrestricted resources are available for use, it is the utilities’ policy to use restricted resources first, then unrestricted resources as they are needed.

The following calculation supports the water utility net assets invested in capital assets, net of related debt:

	2011	2010
<b>Water Utility</b>		
Capital Assets net of depreciation	\$ 11,942,387	\$ 11,754,384
Less: related long-term debt outstanding	(2,235,296)	(1,586,006)
Total Invested in Capital Assets	9,707,091	10,168,378
Unamortized debt issuance costs	42,474	25,536
Sub-Total	42,474	25,536
Reserve from borrowing	204,652	121,500
Total Net Assets Invested in Capital Assets, Net of Related Debt	\$ 9,954,217	\$ 10,315,414

The following calculation supports the wastewater utility net assets invested in capital assets, net of related debt:

	2011	2010
<b>Wastewater Utility</b>		
Capital Assets net of depreciation	\$ 17,720,467	\$ 17,395,071
Less: related long-term debt outstanding	(4,245,343)	(2,819,621)
Total Invested in Capital Assets	13,475,124	14,575,450
Unamortized debt issuance costs	17,442	20,931
Sub-Total	17,442	20,931
Reserve from borrowing	123,000	123,000
Total Net Assets Invested in Capital Assets, Net of Related Debt	\$ 13,615,566	\$ 14,719,381

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2011 and 2010**

---

**7. Net Assets (Continued)**

The following calculation supports the stormwater net assets invested in capital assets, net of related debt:

	2011	2010
<b>Stormwater Utility</b>		
Capital Assets net of depreciation	\$ 3,107,902	\$ 3,017,957
Less: related long-term debt outstanding	(227,000)	-
Total Invested in Capital Assets	2,880,902	3,017,957
Total Net Assets Invested in Capital Assets, Net of Related Debt	\$ 2,880,902	\$ 3,017,957

**8. Employees Retirement System**

All eligible employees of the utilities participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year and hired prior to July 1, 2011 are eligible to participate in the System. Employees hired after July 1, 2011 are eligible to participate if expected to work at least two-thirds of full-time per year and are expected to be employed for at least one year from the hire date. Covered employees in the General category are required by statute to contribute 5.8% and 6.0% of their salary to the plan in 2011 and 2010, respectively. For pay periods prior to June 29, 2011, employers generally made these contributions to the plan on behalf of employees. For pay periods after June 29, 2011, employers were no longer allowed to pay the employee required contributions for most employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits. Covered payroll listed below is substantially the same as total payroll.

**WHITEWATER MUNICIPAL WATER, WASTEWATER AND STORMWATER  
UTILITIES**

**Notes to Financial Statements  
December 31, 2011 and 2010**

**8. Employees Retirement System (Continued)**

Water Utility

	Year Ended December 31		
	2011	2010	2009
Total Covered Employee Payroll	\$ 328,304	\$ 322,339	\$ 321,903
Total Required Contributions	\$ 32,708	\$ 38,381	\$ 33,156
Total Required Contribution %	10.0%	11.9%	10.3%

Wastewater Utility

	Year Ended December 31		
	2011	2010	2009
Total Covered Employee Payroll	\$ 570,646	\$ 513,481	\$ 507,974
Total Required Contributions	\$ 56,241	\$ 53,275	\$ 52,321
Total Required Contribution %	9.9%	10.4%	10.3%

Stormwater Utility

	Year Ended December 31		
	2011	2010	2009
Total Covered Employee Payroll	\$ 134,389	\$ 142,330	\$ 124,479
Total Required Contributions	\$ 12,188	\$ 14,785	\$ 12,821
Total Required Contribution %	9.1%	10.4%	10.3%

Details of the plan are disclosed in the basic financial statement of the City of Whitewater.

**9. Significant Customers**

**Water Utility**

The utility has one significant customer who was responsible for approximately 21% of operating revenues.

**10. Commitments and Contingencies**

Claims and Legal Items

From time to time, the City is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of the management that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position or results of operations.

**11. Subsequent Events**

In May 2012, the City approved \$855,000 in water revenue bonds and \$1,485,000 in sewer revenue bonds with rates varying from 2.00% to 2.85%. Principal is due in varying amounts from 2016 through 2027.

**SUPPLEMENTAL INFORMATION**

**Whitewater Municipal Water Utility**

**Water Utility Plant  
December 31, 2011**

	Balance 1/01/2011	Additions	Retirements	Balance 12/31/2011
<b>Source of Supply</b>				
Land and land rights	\$ 3,603	\$ -	\$ -	\$ 3,603
Structures and improvements	30,984	-	-	30,984
Wells and springs	585,549	-	-	585,549
Supply mains	17,029	-	-	17,029
Total Source of Supply	<u>637,165</u>	<u>-</u>	<u>-</u>	<u>637,165</u>
<b>Pumping</b>				
Structures and improvements	463,697	-	-	463,697
Electric pumping equipment	659,052	-	-	659,052
Diesel pumping equipment	51,851	-	-	51,851
Other pumping equipment	11,327	-	-	11,327
Total Pumping	<u>1,185,927</u>	<u>-</u>	<u>-</u>	<u>1,185,927</u>
<b>Water Treatment</b>				
Structures and improvements	370,874	-	-	370,874
Water treatment equipment	1,087,868	-	-	1,087,868
Total Water Treatment	<u>1,458,742</u>	<u>-</u>	<u>-</u>	<u>1,458,742</u>
<b>Transmission and Distribution</b>				
Land and land rights	898	-	-	898
Distribution reservoirs and standpipes	504,482	-	-	504,482
Transmission and distribution mains	9,318,457	237,594	14,675	9,541,376
Services	1,272,648	8,980	360	1,281,268
Meters	362,674	675,621	264,710	773,585
Hydrants	1,009,387	27,557	-	1,036,944
Total Transmission and Distribution	<u>12,468,546</u>	<u>949,752</u>	<u>279,745</u>	<u>13,138,553</u>
<b>General</b>				
Land and land rights	2,226	-	-	2,226
Structures and improvements	92,182	-	-	92,182
Office furniture and equipment	19,334	-	-	19,334
Computer equipment	54,246	-	-	54,246
Transportation equipment	79,449	-	-	79,449
Stores equipment	392	-	-	392
Tools, shop and garage equipment	33,245	-	-	33,245
Laboratory equipment	1,371	-	-	1,371
Power-operated equipment	37,187	-	-	37,187
Communication equipment	15,082	-	-	15,082
SCADA equipment	79,700	-	-	79,700
Miscellaneous equipment	5,465	-	-	5,465
Total General	<u>419,879</u>	<u>-</u>	<u>-</u>	<u>419,879</u>
<b>Construction Work In Progress</b>	<u>482,449</u>	<u>-</u>	<u>482,449</u>	<u>-</u>
<b>Total Water Utility Plant</b>	<u>\$ 16,652,708</u>	<u>\$ 949,752</u>	<u>\$ 762,194</u>	<u>\$ 16,840,266</u>

**Whitewater Municipal Water Utility**  
**Rate of Return - Regulatory Basis**

December 31, 2011 and 2010

	Water	
	2011	2010
Utility Plant in Service (excluding contributed plant)		
Beginning of year	\$ 7,896,303	\$ 7,875,893
End of year	9,557,952	7,896,303
Average	8,727,128	7,886,098
Accumulated Depreciation		
Beginning of year	(2,651,493)	(2,461,073)
End of year	(2,585,341)	(2,651,493)
Average	(2,618,417)	(2,556,283)
Material and Supplies		
Beginning of year	10,407	11,170
End of year	11,591	10,407
Average	10,999	10,789
Regulatory Liability		
Beginning of year	(662,888)	(713,878)
End of year	(611,897)	(662,888)
Average	(637,393)	(688,383)
Average Net Base	\$ 5,482,317	\$ 4,652,221
Operating Income - Regulatory Basis	\$ 3,336	\$ 102,057
Rate of Return (Percent)	0.06%	2.19%

This schedule is computed based on the Public Service Commission of Wisconsin regulatory accounting which differs from accounting principles generally accepted in the United States of America due to GASB No. 34 as described in the Notes to the Financial Statements as well as PSC order 05-US-105, which was effective January 1, 2003 as amended September 8, 2004.

**Whitewater Municipal Wastewater Utility**

**Wastewater Utility Plant  
December 31, 2011**

	<u>Balance 1/01/2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 12/31/2011</u>
<b>Collecting System</b>				
Lift stations	\$ 1,036,647	\$ 9,310	\$ -	\$ 1,045,957
Collecting mains	8,008,210	71,603	5,848	8,073,965
Interceptor mains	2,773,904	-	-	2,773,904
Force mains	115,800	-	-	115,800
Total Collecting System	<u>11,934,561</u>	<u>80,913</u>	<u>5,848</u>	<u>12,009,626</u>
<b>Treatment and Disposal</b>				
Land and improvements	168,179	-	-	168,179
Structures and improvements	7,294,130	-	-	7,294,130
Preliminary treatment equipment	1,366,734	-	-	1,366,734
Primary treatment equipment	313,958	3,482	-	317,440
Secondary treatment equipment	4,808,848	1,730	-	4,810,578
Advanced treatment equipment	955,910	2,100	-	958,010
Chlorination equipment	87,875	-	-	87,875
Sludge treatment and disposal equipment	2,983,263	-	-	2,983,263
Plant site piping	1,738,740	-	-	1,738,740
Flow metering and monitoring equipment	51,659	-	-	51,659
Flow metering and monitoring equipment	232,936	-	-	232,936
Flow metering and monitoring equipment	54,093	-	-	54,093
Total Treatment and Disposal	<u>20,056,325</u>	<u>7,312</u>	<u>-</u>	<u>20,063,637</u>
<b>General</b>				
Structures and improvements	61,637	-	-	61,637
Office furniture and equipment	62,556	-	-	62,556
Computer equipment	57,898	-	-	57,898
Transportation equipment	190,943	155,344	-	346,287
Communication equipment	186,132	-	-	186,132
Other general equipment	230,852	12,066	-	242,918
Total General	<u>790,018</u>	<u>167,410</u>	<u>-</u>	<u>957,428</u>
<b>Construction Work In Progress</b>	<u>4,410,179</u>	<u>952,617</u>	<u>-</u>	<u>5,362,796</u>
<b>Total Wastewater Utility Plant</b>	<u>\$ 37,191,083</u>	<u>\$ 1,208,252</u>	<u>\$ 5,848</u>	<u>\$ 38,393,487</u>